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Governor

STATE OF IDAHO
Liquor Division
Executive Office of the Governor

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Director

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IDAHO TABLE WINE PROGRAM UPDATES AND CHANGES

In 2002 the Idaho Liquor Division re-entered the table wine business. The Idaho Table Wine Program was designed to support the Idaho Grape Growers and Wine Producers, and enhance the liquor store shopping experience by allowing a small selection of Idaho wines to be offered in the Division's state liquor stores.

The program has been successful primarily because we've kept the product line small and focused. We continue to support the program and want to be a good partner with the Idaho Wine industry, but in these tight times, we have to be ever more careful in how we manage the public funds to which we've been entrusted. We no longer have the luxury of offering products that don't sell, and that don't provide a satisfactory return on investment, given the much more profitable distilled spirits displaced in our stores by the Idaho wines.

With an ever increasing cadre of wine producers, some using their own facilities, and some using shared premises, we can no longer assure that ISLD will continue to accept two wines from every "winery", as has been the case. Nor can we guarantee that wines that have been selected will stay in the product line indefinitely.

The Idaho wine industry has grown to a point where we need to be more pragmatic in our approach to Idaho Wine and the role it plays within our stores. As a result we are modifying the program, and we want you to know our new Idaho Table Wine policies:

- Idaho wineries continue to be welcome to present products for our consideration. We can't, however, commit to automatically add 2, 1, or any of a winery's products to the product line.
- We are going to reassess the marketability and sales of the existing wine offerings. Some wineries will retain 2 listings, some may find their offerings reduced to 1 product, and some may find their wines discontinued due to poor sales.
- We are going to establish a standard mark-up percentage to establish price points and gross profit margins. This may require modifications of ISLD costs for Idaho wines, and may be a bar to adding new wines if desired price-points do not provide sufficient margins to the ISLD.
- We are going to establish clear cut gross profit-based retention targets, as we do with distilled spirits, in order to fairly evaluate each wine's potential for retention or discontinuation.

- And finally, and this is a significant change, we will be requiring all Idaho Wineries doing business with ISLD to become bailment suppliers, most likely on February 1, 2010.

For the past 15 years distilled spirit suppliers have been bailment suppliers, with payment for product occurring only when we pull cases to fill store orders. This inventory funding mechanism is particularly helpful in reducing risk if a product has to be discontinued. Currently, ISLD assumes all the responsibility of a product's lack of sales success, and we believe this should be shared between all suppliers and the ISLD.

I don't want these new policies to appear overbearing, to create an impression that we don't appreciate your efforts, or reduce our relationship with the Idaho wine industry. The purpose of these changes is to insure that the wines that are listed sell well, make good financial sense for both wineries and the ISLD, represent a positive addition to ISLD's service goals, and to continue to provide the opportunity to showcase Idaho's very best wines.

If you have questions, please feel free to contact Larry Maneely, Deputy Director or Bill Applegate, Product Manager for more information.

Best Regards,

Idaho State Liquor Division



Dyke Nally
Director

Copy: Idaho Grape Growers and Wine Producers Commission